Australian Shareholders' Association Limited
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Board renewal progressing well

Company/ASX Code	Argo Investments/ARG
AGM time and date	**10:00AM Monday 23 October 2023**
Location	10am, Central Time, at Adelaide Convention Centre, North Terrace, ADL.
Registry	Boardroom Pty Limited, Sydney
Type of meeting	Physical with simultaneous livestream (view only)
Monitor	Greg OConnell assisted by Bob Ritchie
Pre-AGM Meeting	Yes, in Argo offices with Chief Operating Officer Timothy Binks and, by video, with Chair Russell Higgins and MD Jason Beddow. ASA represented by Greg OConnell and Bob Ritchie.

Monitor Shareholding: No individual (or their associates) involved in the preparation of this voting intention has any shareholding in this company.

1. How we intend to vote

No.	Resolution description	
2	Adoption of the Remuneration Report	Against
3	Re-election of director - Mr. Russell Higgins AO	For
4	Election of director - Mr. Peter Warne	For
5	Election of director - Ms. Melissa Holzberger	For
6	Approval of Dividend Substitution Share Plan (DSSP)	For
7	Renewal of Proportional Takeover provisions	For

2. Summary of Issues and Voting Intentions for AGM

Remuneration Incentives

Historically: Argo's remuneration arrangements changed on 30 June 2020 when Argo changed the Total Portfolio Return (TPR) performance-based long term incentive remuneration (LTI) to 40% vesting (up from 25%) should TPR match the S&P ASX 200 Accumulation Index over the performance period and straight line vesting up to +100 basis points outperformance (previously outperform by >30%). ASA viewed this as "increased remuneration for lesser performance" and has voted against the Remuneration report in 2020, 2021 and 2022.

This year, FY2023, we are advised Argo has conducted Independent Remuneration Research concluding:

- remuneration is in-line with Argo's peer group in the market;

- Fine-tuning Increases are warranted for percentage of fixed annual remuneration (FAR) for short-term incentive (STI) and LTI maxima;
- An additional third tranche is warranted for LTI, based on Total Shareholder Return, and providing undeniable alignment between executive remuneration and shareholders' results.

The third tranche is clearly shareholder focussed, however we assess the exercising of this tranche event, as low in likelihood and any incentive payments relatively small.

Increases in percentage of FAR for STI and LTI maxima are small.

Regarding market remuneration comparisons, we do not have access to Argo's independent advice and not knowing the comparison peer group, we have made a single-point comparison of Argo CEO remuneration over the last four years, to the CEO remuneration of Australian Foundation Investment Company (AFI) and for AFI plus the three sibling LICs (MIR, AMH and DJW). This comparison is outlined in Appendix 2, and does not support the Argo assertion of Remuneration being marketplace comparable.

We will vote against the Remuneration report, as we have done in 2020, 2021 and 2022.

Director elections/re-elections

Argo provides Aggregated Director skills in a Skills Table rather than "per director" skills in a Skills Matrix. This makes it challenging to determine Board skill needs and assess level of contribution of individual directors.

In our pre-AGM meeting with the Chair, we are heartened to hear of the progress in Board renewal over the last 12 months with intentions to continue this renewal. ASA supports this renewal activity and will vote for new Directors Peter Warne (bringing financial services skills to the Board) and Melissa Holzberger (bringing legal skills to the Board.) Peter joins as Chair of the Remuneration Committee and Melissa joins as a member of the Remuneration Committee.

Director Russell Higgins exceeds Argo's tenure of 9 years for directors outlined in the Board Charter as well as exceeding ASA's tenure (of 12 years) for being considered independent. However (we are advised) he has the support of the Board and is assessed as independent by the Board. We assume the Board supported the extension due considering it would benefit the Company as per its board charter. We also note the majority of the directors on the board are independent.

ASA will vote FOR Director Russell Higgins.

3. Matters Considered

Key events

Excluding one-off, non-cash income, Argo's profit and Earnings-per-share increased from last year; Argo's full year dividends also increased from last year.

A dividend reinvestment plan (DRP) was conducted in the year, raising $49.1 million of new capital.

Argo's investment performance, measured by NTA return after all costs and tax, and adjusted for Company tax paid, was +11.4% compared to the S&P/ASX200 Accumulation Index return of +14.8%. Argo explains the relative under-performance as investor sentiment swinging to growth style investments.

The Management Expense Ratio (MER) increased from 0.141% in FY2022 to 0.155% in FY2023. Argo explains this as largely post-COVID travel driven.

Total shareholders reduced from 96,100 in FY2022 to 95,600 in FY2023. Argo explains this as a fall back from COVID increases plus some investor changes of focus driven by interest rate changes in the market.

Accounts and reports

Financial performance

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
Total Assets	6.9b	6.4b			
NPAT ($m)	272	313	174	199.5	292.7
UPAT ($m)	272	313	174	199.5	256.6
Share price ($)	8.76	8.80	8.93	7.19	8.12
Dividend (cents)	34.5	33	28	30	33
Simple TSR (%)	3.9%	2.24%	28.5%	-7.76%	5.9%
EPS (cents)	36.1	42.7	24.1	27.8	41.1/36*
CEO total remuneration, actual ($m)	1.24	1.35	1.03	1.23	1.23

Remuneration Incentives

Historically: Argo's remuneration arrangements changed 30 June 2020 when Argo lowered hurdles for performance-based long term incentive remuneration (LTI). ASA viewed this as "increased remuneration for lesser performance" and has voted against the Remuneration report in 2020, 2021 and 2022.

This FY2023 annual report and clarification from our pre-AGM meeting with Argo identifies three matters relating to Remuneration Structure. These follow on from an Argo commissioned review which obtained independent advice. Those matters are that:

- Argo remuneration is advised as being in-line with its peer group in the market;
- Remuneration increases are warranted for percentage of FAR for STI and LTI maxima, fine-tuning changes made 4 years prior;
- An additional third tranche is implemented for LTI, based on Total Shareholder Return, and providing undeniable alignment between executive remuneration and shareholders' results.

Addressing these in “reverse” order:

- For the new third tranche for LTI, we provided Argo with our analysis which indicated there would be some years when a decade's TSR result would yield an incentive payment and other years when there would be no incentive payment; an average effect of some incentive payment determined largely by seasonality of Price/NTA premiums/discounts. Argo's position is that the starting position ten years ago was in a period of high TSR, so there will be no incentive payment for this tranche for a significant number of years. We assess the exercising of this tranche, as low in likelihood and low in incentive payment and have excluded it from considerations in determining our position on the remuneration vote.

- Increases in percentage of FAR for STI and LTI maxima are explained by Argo as small adjustments to better equalise an earlier adjustment for changing from fair value to face value as a basis for determining number of shares.

- Regarding market remuneration comparisons, we do not have access to Argo’s independent advice and not knowing the comparison peer group, we compared Argo CEO remuneration over the last four years, as an approximation, to the CEO remuneration of Australian Foundation Investment Company (AFI) and for AFI plus the three sibling LICs who have shared payment responsibility for the whole of the AFI CEO’s remuneration (for the last three years AFIC CEO's remuneration has been pro-rata split across AFI and the sibling LICs; MIR, AMH and DJW as a group). We compared both AFIC alone and the group total remuneration results with Argo. AFIC alone has Total Invested Assets approximately 30% greater than Argo, the AFI+MIR+AMH+DJW group has Total Invested Assets approximately 55% greater than Argo and is arguably more complex comprising 4 different LICs. The Remuneration comparison result generally indicates Argo’s remuneration is comparable to and slightly greater (on average) to that of the combined AFI+MIR+AMH_DJW Group, despite it being larger and more complex. This one comparison does not support the Argo assertion of Argo Remuneration being comparable in the marketplace.

Looking back to changes to Remuneration made in 2020, this is the first Annual report incorporating the effects of change with the incentive payment for LTI based on 2022 performance (outperformance of 4.6%) reported in the 2023 annual report. Unfortunately, the combination of STI and LTI is reported as a single-figure showing the combined number of shares vesting and we are unable to calculate the difference in value between the current and previous remuneration structure.

Our conclusion is the current 2023 Remuneration changes seem small and do not introduce major variations to Argo’s Remuneration approach. More significantly, they do not address the concern we have held for 4 years now over the significant easing of performance standards.

With our concerns unaddressed, and the matter of fairness in the market-place under question, we intend to vote against adoption of the FY2023 remuneration report as we have voted in 2020, 2021 and 2022. The voting in those years against adoption of the remuneration averaged 17%, when any double digit “against” vote is considered significant.

Governance and culture

Last year ASA had concerns regarding the long tenure of multiple directors. In the last year, Argo retired several directors and has appointed several new directors in a process of Board renewal.

The Chairman, Russell Higgins, has a tenure exceeding 12 years. This exceeds Argo's tenure guidelines and exceeds ASA's internal criteria for being considered independent by ASA, however ASA is advised the Argo Board members assess Director Russell Higgins as independent.

The board has a majority of independent directors.

Argo's gender diversity target (https://www.argoinvestments.com.au/files/Corporate-Governance-Statement-Argo-2023-approved-aug23.pdf at 26 September 2023) is for a minimum of one-third of each gender while ASA's diversity target is for 40% of each gender. Argo meets its own target. It is likely to meet ASA's target at the FY2023 AGM.

As observed by ASA last year, the Argo Skills Matrix (https://www.argoinvestments.com.au/files/Corporate-Governance-Statement-Argo-2023-approved-aug23.pdf at 26 September 2023) comprises two lists of aggregate Director skills demonstrating skills assessment occurring internal to Argo but does not make it easy for shareholders to determine what skills are being lost/gained as Directors depart/join and elections/re-elections for Directors are considered and how these meet Board needs.

A proper matrix would make it easier for shareholders to vote constructively.

Key board or senior management changes

NED Roger Davis retired 30-August-2023 and new NED Melissa Holzberger was appointed.

NED Anne Brennan retired October 2022.

NED Peter Warne joined the Board 1 November 2022

Sustainability/ESG

Argo does not have a large social or environmental presence.

Argo has an ESG Investment statement at URL

https://www.argoinvestments.com.au/files/ESG-Investment-Statement.pdf

linked from Corporate Governance.

This does explain how ESG issues are considered an inherent part of the investment process and influencing voting decisions for companies in the Argo portfolio. On Argo's website at https://www.argoinvestments.com.au/esg-proxy-voting-statistics/, a summary of Argo's proxy voting record is provided for the period FY2014 to FY2023 showing 2 Remuneration AGAINST votes and 1 "abstain" vote made in FY2023 and, in the Other category 1 AGAINST vote and 1 abstain vote.

4. Rationale for Voting Intentions

Item 1 Financial and other Reports

No vote required

Item 2 Adoption of Remuneration Report

Discussed in detail above.

Item 3 Re-election of Director Mr. Russell Higgins

Director Russell Higgins is a strong and experienced director, is Chairman and has chaired the Remuneration committee until part way through FY2023.

He exceeds Argo's limit of 9 years (lowered by Argo in FY2022) and exceeds Argo's limit of 12 years for independence however we understand other Board members have met and attest to his independence in this role.

Item 4 Election of Director Mr. Peter Warne

An experienced company director with knowledge of the financial industry, experience and relevant directorships with Macquarie Group and ASX. He has joined as Chair of the Remuneration Committee.

Item 5 Election of Director Ms. Melissa Holzberger

An experienced company director with a range of Board experience. She has joined as a member of the Remuneration Committee.

Ms Holzberger's legal skills meet a Board need.

Item 6 Approval of Dividend Substitution Share Plan

This is beneficial to a class of shareholder.

Item 7 Renewal of Proportional Takeover provisions

We prefer full takeovers and support the renewal.

Appendix 1
Remuneration framework detail - Argo

CEO Rem. Framework for FY2023	Max. Opportunity $m	% of Total
Fixed Remuneration	0.770	36%
STI – Cash	0.308	14%
STI – Equity	0.308	14%
LTI Tranche-1	0.308	14%
LTI Tranche-2	0.308	14%
LTI Tranche-3	0.154	7%
Total	2.156	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

These are always a summary, refer to the FY2023 Annual report for the full and detailed information.

Appendix 2
Remuneration comparison point – Australian Foundation Investment Company Ltd – AFI and AFI Group LICs (AFI+MIR+AMH+DJW)

As a point of comparison for comparing Argo CEO total remuneration, Total Assets and CEO total remuneration received are provided for an Argo LIC peer- Australian Foundation Investment Company Limited (AFI) and for AFI plus it's 3 sibling LICS; Djerriwarrh Investments Limited + Mirrabooka Investments Limited + AMCIL Limited) which are managed by the one Managing Director.

AFI's Total Assets of $8.9b in 2023 exceed ARG's Total Assets of $6.9B otherwise there are many similarities between the two LICs.

The Group of AFI+MIR+AMH+DJW has Total Assets of $10.7b and is, therefore, much larger than ARG and, arguably, more complex.

FY2023 Assets and CEO Remuneration – AFI and AFI+MIR+AMH+DJW

(As at FYE)	**Total Assets**	**CEO Actual Total Rem (Annual Report Table 4)**	**CEO Total Rem after Forfeits**
AFI	8,900.0m	1,067,214	869,224
MIR	566.4m	684,191	557,260
AMH	346.1m		
DJW	911.0		
TOTAL	10,723.5	1,751,405	1,426,485

FY2020-2023 MD Remuneration for AFI+MIR+AMH+DJW Group

MD Remuneration received: ARG, AFI, AFI+MIR+AMH+DJW					
	2023	**2022**	**2021**	**2020**	**Average**
ARG	$1,242,365	$1,348,092	$1,032,313	$1,233,195	$1,213,991
AFI	$869,224	$636,852	$650,770		$718,949
AFI+MIR+AMH+DJW (Total Rem)	$1,426,484	$1,212,401	$1,292,715	$784,211	$1,178,953